

Treasury International Programs

Program Summary by Appropriations Account

(Dollars in thousands)

Appropriations	FY 2007	FY 2008	FY 2009
	Enacted	Enacted	President's Budget
International Financial Institutions	\$1,273,219	\$1,277,289	\$2,071,305
International Development Association*	940,500	942,305	1,277,000
Multilateral Investment Guarantee Agency	0	0	0
Global Environment Facility	79,200	81,101	80,000
An International Clean Technology Fund			400,000
Inter-American Development Bank			
Multilateral Investment Fund	1,724	24,798	25,000
Inter-American Investment Corporation	0	0	0
Asian Development Bank	0	0	0
Asian Development Fund	99,000	74,544	115,250
African Development Bank	3,602	2,021	0
African Development Fund	134,343	134,585	156,055
European Bank for Reconstruction and Development	0	10	0
International Fund for Agricultural Development	14,850	17,926	18,000
Arrears	[0]	[3,131]	[42,000]
Debt Restructuring	\$64,350	\$30,055	\$141,000
Treasury Technical Assistance	\$19,800	\$20,235	\$29,000
Total Program Level	\$1,357,369	\$1,327,578	\$2,241,305

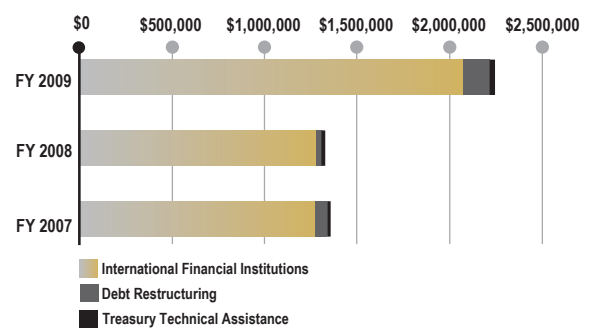
*FY 2007 P.L. 110-5 rescinded \$31.5 million of the 188.1 million FY 2006 unobligated funds.

Explanation of Request

The FY 2009 President's Budget request for the Department of the Treasury's International Assistance Programs supports key objectives of the President's international assistance agenda, such as the G-8 Multilateral Debt Relief Initiative, measuring results, improving debt sustainability, increasing grants, improving transparency and fighting corruption. Total resources required to support Treasury International Assistance Programs for FY 2009 are \$2.241 billion, including contributions to the International Financial Institutions (IFIs) of \$2.071 billion, \$141.0 million for Debt Restructuring, and \$29.0 million for Treasury's International Affairs Technical Assistance Programs.

International Programs Funding History

(Dollars in Thousands)



Purpose of Program

The mission of Treasury International Programs is to promote economic growth and poverty reduction in developing countries through U.S. participation in the multilateral development banks (MDBs), efforts to prevent the buildup of unsustainable debt burden in poor countries and technical advice to developing countries on building market-based economies.

International Programs FY 2009 Budget Highlights

(Dollars in thousands)

Appropriation	International Financial Institutions	Technical Assistance	Debt Restructuring	Total
FY 2007 Enacted	\$1,273,219	\$19,800	\$64,350	\$1,357,369
FY 2008 Enacted	\$1,277,289	\$20,235	\$30,055	\$1,327,578
Increases	\$794,016	\$8,765	\$110,945	\$913,727
FY 2009 President's Budget Request	\$2,071,305	\$29,000	\$141,000	\$2,241,305

FY 2009 Program Requests

International Financial Institutions (IFIs) (\$2,071,305,000)

The FY 2009 President's Budget requests \$2.071 billion to the multilateral development banks (MDBs), including \$400 million to establish a new international clean technology fund and \$42 million to pay a portion of outstanding U.S. arrears to IDA.

International Development Association (IDA) (\$1,277,000,000) IDA is a member of the World Bank Group and provides development financing on highly concessional and grant terms to the world's poorest countries, including those facing exceptional challenges in Africa. The FY 2009 President's Budget requests \$1,235.0 million for the first of three payments to the fifteenth replenishment of IDA (IDA15) and \$42.0 million to clear a portion of outstanding U.S. arrears to IDA. These payments include the U.S. commitment to fund the Multilateral Debt Relief Initiative (MDRI) at IDA. Negotiations for IDA15 concluded in December 2007 and U.S. leadership secured a number of key objectives in the agreement, including: an expanded results measurement system that will demonstrate the effectiveness of IDA's development projects and programs; improvements to the operational framework and financing arrangements for Bank engagement in fragile/post-conflicts states; specific measures to enhance debt management capacity building; continued use of grant financing for countries experiencing debt distress; and progress towards greater transparency.

Global Environment Facility (GEF) (\$80,000,000) The GEF is the largest multilateral funder of projects and programs that protect the global environment, particularly in the areas of biodiversity conservation, climate change, and international waters. The FY 2009 President's Budget requests \$80.0 million for the third of four payments to the fourth replenishment of the Global Environment Facility (GEF-4). During GEF-4 replenishment negotiations, finalized in 2006, the United States achieved an important set of policy reforms to improve the GEF's overall effectiveness, particularly with regard to project quality, portfolio management, resource allocations, transparency, and anti-corruption efforts.

An International Clean Technology Fund (\$400,000,000) The proposed clean technology fund will address the growing problem of accelerating greenhouse gas emissions growth in major developing countries. The fund will help ensure that the developing country demand for energy will be met with clean energy projects by supporting the additional cost of clean technology investments over their dirtier alternatives. The fund has three major objectives: first, to reduce emissions growth in major developing countries through accelerated deployment of clean technologies; second, to stimulate and leverage private sector investment in existing clean technologies; and third, to encourage developing countries to pursue environmentally sound policies to reduce greenhouse gas emissions. The Administration is working with major donor and developing countries to create a multilateral fund that will catalyze resources of the multilateral development banks and the private sector to create innovative financing instruments to spur clean technology investments in the major developing country emitters. The fund's location is yet to be determined. The FY 2009 President's Budget requests \$400 million for an international clean technology fund, the first payment that the United States, as a lead donor, plans to contribute as part of an overall U.S. contribution of \$2 billion over three years.

Multilateral Investment Fund (MIF) (\$25,000,000) The MIF, administered by the Inter-American Development Bank (IDB), works directly with private and public sector partners to strengthen the environment for business, build the capabilities and skills of the workforce, and broaden the economic participation of smaller enterprises. The FY 2009 President's Budget requests \$25.0 million for the third of six payments to the first replenishment of the MIF (MIF-II). The United States achieved its key objectives in the replenishment negotiations, including: a strengthened commitment to measurable results; a continued strong focus on grants; allocation of resources to maximize innovation; and reform of the IDB's procurement guidelines.

Asian Development Fund (AsDF) (\$115,250,000) The AsDF, the Asian Development Bank's concessional window, provides development financing for investments in infrastructure, health, education, environment, and private-sector development, as well as policy advice to the poorest countries in the

Asia-Pacific region. The FY 2009 President's Budget requests \$115.3 million for the final of four payments to the eighth replenishment of the AsDF (AsDF-9). In the AsDF-9 Agreement, the United States secured a number of important policy reforms, including: the formation of a grants window through which grants will comprise 18-21 percent of assistance; a significant increase in the weight of governance in determining country assistance allocations; strengthened internal oversight, risk management, and results measurement; increased transparency; and a stronger focus on private sector development.

African Development Fund (AfDF) (\$156,055,000)

The AfDF provides highly concessional loans and grants to Africa's poorest countries to help promote economic growth and reduce poverty. The FY 2009 President's Budget requests \$156.1 million for the first of three payments to the eleventh replenishment of the AfDF (AfDF-11). These include payment for the U.S. commitment to MDRI at the AfDF. Negotiations for AfDF-11 concluded in December 2007 and U.S. leadership secured key objectives in the replenishment agreement, including: management for results agenda that includes a two-tiered results measurement framework to measure, monitor, and report on outcomes and outputs at the country, regional and institutional levels; maintaining the centrality of performance in the allocation of the Fund's resources while improving the implementation of the PBA system; enhanced engagement in fragile states through a new facility that will better address the needs or emerging opportunities in post-conflict and transition countries, such as Liberia; scaling up the Fund's regional operations, focusing on infrastructure projects that promote regional integration; and greater support for governance issues at the regional, country, sector as well as institutional levels to fight corruption, increase transparency, and improve accountability.

International Fund for Agricultural Development (IFAD) (\$18,000,000) IFAD is a multilateral institution focused on promoting rural agricultural development in poorer countries. The FY 2009 President's Budget requests \$18.0 million for the final of three payments to the seventh replenishment of IFAD (IFAD-7). The United States exercised significant leadership to achieve key objectives in

IFAD-7, including: an action plan to address key findings of the independent external evaluation for increasing the effectiveness of IFAD operations; a stronger performance based allocation system; a debt sustainability framework; and increased transparency and anti-corruption measures.

Debt Restructuring (\$141,000,000)

The FY 2009 President's Budget requests funding of \$141.0 million for the cost of debt restructuring programs, including bilateral Heavily Indebted Poor Countries initiative (HIPC) debt reduction, the HIPC Trust Fund, and the Tropical Forest Conservation Act (TFCA). Funds are needed to cover the cost of canceling the remainder of the Democratic Republic of the Congo's (DRC) debt to the United States after the DRC reaches its Completion Point under the HIPC initiative. The United States Government is the largest creditor of the DRC; lack of U.S. participation in debt relief would likely cause other creditors to withhold their debt relief. Funding is also needed to satisfy the U.S. pledge for a contribution to the HIPC Trust Fund, and to cover the costs of TFCA debt agreements in support of tropical forest conservation

Technical Assistance (\$29,000,000)

The FY 2009 President's Budget requests \$29.0 million for the cost of the technical assistance program, which provides highly experienced financial advisors to reform-minded developing countries, transitional economies, and nations recovering from conflict. The \$8.765 million increase over the FY 2008 Enacted level is justified by growing evidence of the importance of strong financial sectors and sound public financial management for the achievement of U.S. international policy priorities, and growing need for Treasury technical assistance. Treasury assistance focuses on strengthening the financial and economic management capacity of aid recipient countries. Such capacity is essential for aid recipients to make effective use of foreign assistance, to reduce their vulnerability to economic shocks, terrorist financing and financial crime, and ultimately to eliminate their dependence on aid. This increase in funding will provide Treasury's Technical Assistance the ability to address significant needs in Sub-Saharan Africa, the Greater Middle East, Asia, and Latin America.

Explanation of Programs

International Financial Institutions (\$2,071,305,000 from direct appropriations)

International Financial Institutions (IFIs) provide loans, grants and investments to developing and transition economies and private sector enterprises in countries where risks are too high for private financing alone and where leverage is needed to encourage private financing. The United States strongly advocates bank policies and assistance programs that reflect U.S. priorities in promoting growth, increasing productivity, and reducing poverty in developing countries.

Debt Restructuring (\$141,000,000 from direct appropriations) Debt Restructuring for the poorest countries provides an incentive to implement macro-economic and structural reforms necessary for economic growth and also frees up resources for poverty reduction efforts. Debt reduction under the Tropical Forest Conservation Act allows for reduction of U.S. concessional debt and redirection of payments in local currency in eligible countries to support programs to conserve tropical forests.

International Affairs Technical Assistance (\$29,000,000 from direct appropriations)

International Affairs Technical Assistance provides financial advisors to countries seeking assistance in implementing significant economic reforms, especially during critical periods of transition to market-based economies. The program supports economic policy and financial management reforms focusing on the functional areas of budget, taxation, government debt, financial institutions and financial crimes law enforcement.

Description of Performance

International Financial Institutions

Through U.S. leadership in the IFI replenishment negotiations, key policy reforms were initiated, reinforced and extended in the international financial institutions. In recent years, these reforms included:

- Increased grant financing for the poorest countries at IDA, the AfDF, AsDF and other MDBs;
- Adoption of a debt sustainability framework to

provide increased grant resources for the poorest countries and to help break the lend-and-forgive cycle of development assistance;

- Development of robust results-based management systems to incorporate measurable performance goals and demonstrate positive results on the ground;
- Improvement of performance based allocation systems to maintain the centrality of performance in the distribution of resources; and
- Increased efforts to promote greater transparency and combat corruption at institutional, project, country and regional levels.

Debt Relief The 2005 Multilateral Debt Relief Initiative – a landmark debt relief effort – will cancel 100 percent of debt obligations owed to the World Bank's International Development Association, the African Development Fund, and the IMF by the world's poorest and most heavily indebted countries. Through U.S. efforts, a similar debt relief initiative was approved in 2007 for the Fund for Special Operations at the Inter-American Development Bank. This initiative will provide critical debt relief to Bolivia, Guyana, Haiti, Honduras and Nicaragua, helping to end the lend-and-forgive-cycle development assistance, while freeing-up funds for other poverty reduction efforts.

Grants Under U.S. leadership, the MDBs increased amounts of new resources to debt-vulnerable countries in the form of grants – instead of loans – which are integral to ending the lend-and-forgive cycle of development assistance. For the last two years, nearly \$2.7 billion in grant funding has been provided by the concessional arms of the World Bank, the African Development Bank, and the Asian Development Bank.

Results Measurement Results measurement systems have been expanded significantly through the IDA14 and IDA15 and AfDF-10 and AfDF-11 replenishment agreements which adopt clear, measurable goals and targets, and results-based management processes and standards. The management for results agenda emphasizes measures to strengthen the focus on delivering positive development results on the ground

and the institutional management policies and procedures required to deliver them. A two-tiered results measurement framework is in place in IDA and the AfDF to measure, monitor, and report on outcomes and outputs at the project, country, regional and institutional levels.

Transparency and Fighting Corruption Through U.S. leadership, the MDBs have continued strong efforts to improve transparency, including disclosure of MDB documents and processes, and to fight corruption at the project, country and institutional levels. For example, in FY 2007 the World Bank made the Volcker Panel Report – a review and evaluation of the work and oversight mechanisms of the Bank's Department of Institutional Integrity – available to the public and established an internal working group to review the panel's recommendations and develop an implementation plan.

Going forward, the Treasury Department will continue to reinforce and build upon these key reforms in the IFIs – as demonstrated by the achievement of U.S. objectives in the recently concluded IDA15 and AfDF-11 replenishment negotiations – on managing for results, ensuring the debt sustainability of the world's poorest countries, allocating resources based on performance, and increasing transparency and fighting corruption.

Debt Restructuring

The Enhanced Heavily Indebted Poor Country (HIPC) Initiative continues to make more resources available to poor, heavily indebted countries, while providing a framework for growth enhancing reforms. Thirty-two countries demonstrated sufficient progress to reach their HIPC Decision Points as of the end of FY2007. Creditors have committed to reduce the external debt of these 32 countries by over \$63 billion (nominal terms) under the HIPC framework. The HIPC qualifying countries are required to use the resources freed up by debt relief to support poverty reduction and economic growth. In 2000, poverty-reducing expenditures in the post-Decision Point HIPCs were only about 50% larger than debt service payments. Consistent with the goal of increasing poverty reducing expenditures, by 2006 poverty reducing expenditures were five times larger than debt service payments

Under the Tropical Forest Conservation Act (TFCA), a total of 13 agreements have now been signed with 12 countries, generating more than \$163 million over time for tropical forest conservation. The TFCA debt swap mechanism has also developed a unique public/private partnership in which environmental NGOs provide additional funds for debt reduction, increasing the size of individual agreements, and contributing additional expertise in the management of resulting programs.

Technical Assistance

OTA assists transition and developing countries to build strong government systems and services that increase financial integrity, build capacity (both human and systems), integrate public and private aspects of the economy, eliminate weak or non-functioning organizations of government financial management, draft improved legislation, and fight corruption and terrorist financing. Some projects are focused on assisting countries with weak and fragile financial systems. In such cases, the OTA projects become part of the military-civilian struggle to bring an end the chaos of war and take steps toward reestablishing civil society through the building of strong government financial systems.

Examples of results achieved by OTA in 2007 include:

- Assisting Ghana in the issue of a \$750 million Eurobond; the first sub-Saharan Euro bond in 30 years.
- Helping Georgia pass laws to increase regional autonomy while ensuring continued central government financial support. The legislation is expected to serve as an example for other countries within the Caucasus region.
- Developing an electronic payments system in Iraq.
- Improving compliance of the tax collection system in system in Costa Rica, resulting in more revenues collected in the first five months in 2007 than in nine months in 2006.